

# **The Massachusetts Affordable Housing Trust Fund Guidelines (June 7, 2001)**

**Issued By the Department of Housing and Community Development  
Pursuant to Chapter 121D of the Massachusetts General Laws**

The Massachusetts Affordable Housing Trust Fund (AHTF) was created with the enactment of Section 227 of Chapter 159 of the Acts of 2000, now known as Chapter 121D of the Massachusetts General Laws (the Statute). The AHTF is designed to provide resources to create or preserve affordable housing throughout the state for households whose incomes are not more than 110% of median income, as determined by the U.S. Department of Housing and Urban Development (HUD). The AHTF is funded at \$20,000,000 per year for five years (State Fiscal Years 2001 – 2005) from the state's General Fund and is not subject to on-going appropriations.

## **Section 1- Administrative Structure**

The Affordable Housing Trust Fund is sited within the state's Department of Housing and Community Development (DHCD) and will be managed by the Massachusetts Housing Finance Agency (MHFA) with guidance and assistance from a 15-member Advisory Committee comprised of local officials, housing advocates, lenders and developers.

- **Department of Housing and Community Development**  
DHCD is the state's primary policy maker for affordable housing strategies and the conduit for public resources. Under the AHTF, DHCD shall provide general oversight of the AHTF, monitor progress, develop policies and guidelines dealing with its operation, coordinate the involvement of the Advisory Committee, consult with MHFA with respect to the underwriting process, participate with MHFA on a Selection Committee to determine which projects to fund and secure final approval from the Director of DHCD for projects selected.
- **Massachusetts Housing Finance Agency**  
MHFA functions as the state's affordable housing bank. Its role in relation to the AHTF is to provide day-to-day management of the AHTF, underwrite applications for financing in accordance with the AHTF Guidelines in consultation with DHCD, participate with DHCD on a Selection Committee to determine which projects to fund, oversee the distribution and expenditure of funds for approved projects, invest and administer program funds, and provide regular reports to both DHCD and the Advisory Committee on the utilization of funds and the projects funded. MHFA will carry out these duties under contract to DHCD.

- The Community Economic Development Assistance Corporation  
CEDAC provides a variety of planning and development assistance to support the activities of non-profit organizations throughout the state that are related to the development, operation and preservation of affordable housing.
- The Advisory Committee  
The Advisory Committee is established by the Statute and directed to make policy recommendations to DHCD and MHFA regarding the AHTF's program and funding activities. The committee will be convened by DHCD on a regular basis to discuss these issues and to provide advice and guidance regarding the fund and its operations.

## **Section 2– Eligible Applicants**

The Affordable Housing Trust Fund has been structured to ensure that many different types of organizations are eligible to receive financing. Eligible applicants include governmental subdivisions, community development corporations, local housing authorities, community action agencies, community-based or neighborhood-based non-profit housing organizations, other non-profit organizations, for-profit entities and private employers.

In order to be considered eligible for financing, applicants must be current on all existing mortgage obligations with the Commonwealth or any subdivision thereof.

## **Section 3 – Eligible Activities**

The purpose of the Affordable Housing Trust Fund is to support the creation or preservation of housing that is affordable to people with incomes that do not exceed 110% of median income, as defined by HUD.

AHTF funds will be focused on those activities that create, preserve or acquire housing throughout the state for the benefit of those households. AHTF funds may also be used for permanent or transitional housing for homeless families and individuals, and for the modernization, rehabilitation and repair of public housing.

A housing development to be financed by the AHTF which receives subsidy, financing, tax credits or other assistance under a state or federal housing program, may contain market rate units, insofar as permissible under those programs and/or to the extent that they are necessary to support the creation of and/or on-going sustainability for the affordable housing units in the development. However, AHTF funds may not be used to support market rate units.

## **Section 4 – Types of Assistance**

Funds from the Affordable Housing Trust Fund may be used to support the acquisition, development or preservation of affordable housing units. These funds may be used flexibly to ensure the financial feasibility of the projects. A wide range of financial assistance is available from the AHTF, including:

- ❑ Deferred payment loans.
- ❑ Low or no interest amortizing loans
- ❑ Down payment and closing cost assistance for first-time homebuyers.
- ❑ Credit enhancements and mortgage insurance guarantees.
- ❑ Matching funds for municipalities that sponsor affordable housing projects.
- ❑ Matching funds for employer-based housing.
- ❑ Capital grants for public housing.

This list is meant to be illustrative, but not exhaustive, of possible types of assistance provided through the AHTF. The level and type of assistance provided by the AHTF to a specific project must be the minimum amount necessary to achieve the desired degree of affordability. In instances where AHTF funds are provided as “gap” funding, the assistance provided will typically be in the form of a deferred payment loan.

Proposals will be underwritten and awards of AHTF funds will be structured to ensure that these funds will be repaid to the AHTF where at all feasible. Therefore, principles of sound underwriting and risk management will be applied when reviewing all proposals.

*NOTE: DHCD is making available up to 100 Section 8 Project Based Vouchers from its own portfolio<sup>1</sup> to be used in conjunction with projects funded by the Affordable Housing Trust. Interested sponsors may seek Section 8 project-based assistance for a minimum of 10% up to a maximum of 25 % of the total units in a development from DHCD’s portfolio of Section 8 vouchers (unless the assisted units are made available to elderly or disabled families or families receiving supportive services). Section-8 contract authority cannot exceed 10 years, subject to the availability of adequate annual Congressional appropriation. Sponsors should be advised that 75% of the Section 8 project-based assistance awarded to a project must be made available to households with incomes not to exceed 30% of the area median income, with the balance available to households with incomes not to exceed 50% of the area median income. In accordance with HUD’s Directive No. FR-4633-N-01, DHCD may make Section 8 project-based assistance available only to those projects located in census tracts with poverty levels below 20%.*

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<sup>1</sup> In addition, sponsors may seek project-based vouchers from local housing authorities. The Section 8 requirements are applicable to all LHA Section 8 project based vouchers as well.

*HUD has indicated that a waiver to this requirement is possible; however, at this time no additional guidance has been provided. Project sponsors do not need to have a commitment of these vouchers prior to application to the AHTF for funding. Interested sponsors may call Mary Anne Morrison at DHCD (727-7130, ext. 630) for additional information on the Section-8 project based vouchers.*

## **Section 5 – Funding Preferences**

In order to ensure that these limited resources are utilized in the most effective manner possible, funding preferences and thresholds have been established to guide the decision-making process.

### **PREFERENCES**

- Developments that produce “new” affordable housing units. For the purposes of these Guidelines, “new” affordable housing units shall include housing units constructed where none had existed previously, abandoned or fire-damaged residential units returned to residential use, and non-residential or non-residentially-zoned property converted to residential use.
- Developments that create units affordable to households with a range of incomes, with a special emphasis on units for households with incomes below 80% of the area’s median income.
- Developments that include affordable units for families.
- Developments that include affordable units for the disabled and the homeless.
- Projects that propose the longest term of affordability. The minimum period of affordability for projects receiving AHTF funding is 30 years
- Projects that are sponsored by non-profit organizations.
- Projects that use private funding sources and non-state funding sources to leverage the least amount of AHTF funds.

### **THRESHOLDS**

In addition to the “preferences” listed above, there are two preliminary threshold levels of review applicable to all projects submitted for AHTF financing.

- Housing Certification of Community under Executive Order 418:  
No project will be considered unless it is located in a community that is “housing certified” by the Department of Housing and Community Development under Executive Order 418.
- Readiness of the Project to Proceed:  
Each project submitted for consideration for funding by the AHTF shall be evaluated with respect to its “readiness to proceed” based on the status of zoning, permitting, site control and other commonly used indicators. Funding preference shall be given to those projects that are mostly likely to be able to commence development in a timely manner upon approval of funding.

## **Section 6– Allocation of Assets and Timetable**

These Guidelines outline how the AHTF funds will be used during the second year of operation of the AHTF. In order to respond to the most pressing and current needs in the marketplace today, the \$20 million funds will be allocated annually as follows:

<u>Category</u>	<u>Initial Allocation</u>
Production and New Affordability	\$11,500,000
Public Housing	\$ 5,000,000
Discretionary	\$ 3,000,000
CEDAC Predevelopment	\$ 500,000

Production refers to the creation of “new” units. For the purposes of these Guidelines, “new” affordable housing units shall include housing units constructed where none had existed previously, abandoned or fire-damaged residential units returned to residential use, and non-residential or non-residentially-zoned property converted to residential use.

New Affordability refers to existing housing where a new level of affordability is provided that does not currently exist. This could occur in rental or ownership housing where the number of affordable units is increased; where a portion of existing units will be made affordable to households at income levels substantially lower than the units currently serve; or where the term of affordability on the units will be extended for a period beyond forty years (*n.b. A condition of AHTF funding is a minimum term of affordability of 30 years*).

There will be an annual funding reservation of up to \$2,000,000 of the Production allocation which may be used to fund projects for the homeless or for individuals and

families with incomes in between 0% to 30% of Area Median Income as defined by HUD. These funds also may be used to support the creation of Single Person Occupancy residences. Several exceptions to the general funding guidelines may apply to these projects:

1. In addition to the production of new units, these specifically allocated funds may be used for acquisition and rehabilitation of existing units.
2. The \$50,000 per unit limit may be exceeded for these projects.

Public Housing funds may be expended as grants for repair, rehabilitation and modernization of public housing owned by local or regional housing authorities, (created pursuant to Chapter 121B, s.3 of the General Laws, or by special act) and operating pursuant to a state-assisted housing program.

The Discretionary funds may be allocated from the AHTF to finance worthwhile projects that do not fit in the “Production/New Affordability” category (e.g. renovation of existing housing), that do not meet the funding preferences noted in Section 5 of these Guidelines, or that reflect a particularly innovative approach to providing affordable housing.

The \$500,000 of AHTF funds allocated for CEDAC under Section 6 of these Guidelines shall be used to provide pre-development assistance to non-profit organizations undertaking projects that meet the preferences outlined in these Guidelines.

Funds may be re-allocated during the course of the year between and among these categories in order to be responsive to the level of demand being generated by eligible applicants and to ensure a broad geographic spread of resources throughout the state.

### **Section 7 – Maximum Award Amount**

Many worthwhile affordable housing projects have significant funding gaps. Because of the limitation on funds available to the Affordable Housing Trust Fund and a desire to fund as many projects throughout the state as possible, a limit of the lesser of \$1,000,000 per project or \$50,000 per assisted unit has been established for allocation of AHTF funding for Production. A limit of \$2,000,000 of AHTF funding per project has been established for the Discretionary allocation.

### **Section 8 – Application Procedures**

The Affordable Housing Trust will work with MHFA, DHCD, MHP and CEDAC the four major affordable housing agencies in the state (the “Affordable Housing Agencies”) to provide an optimal allocation of public funds to worthy affordable housing projects.

Projects that are seeking only Affordable Housing Trust Fund funding may apply directly to the AHTF c/o MHFA at any time. While the AHTF application process is rolling, it is our intent to have AHFT funding available to coincide with DHCD’s consolidated

funding rounds. Projects that are seeking a combination of DHCD, MHP and/or MHFA funding or financing should submit an application to the Affordable Housing Agency. The Affordable Housing Agency will underwrite the project, confirm that the host community of the project has E.O. 418 Housing Certification, make a determination of whether the project is ready to proceed, confirm that the project has a financing gap that requires AHFT funding and then refer the application to the AHTF c/o MHFA.

AHTF funds may be substituted for funding by an Affordable Housing Agency funding at the discretion of the Affordable Housing Agency and the AHTF.

In order to streamline the application process, the following procedures shall be observed:

- ***New Applications:***

1. **NEW APPLICATIONS FOR TRUST FUNDING ONLY:**

New applicants, who wish to be considered **solely** for funding by the AHTF may apply directly to the AHTF.

Completed One Stop Applications for new proposals which are requesting consideration **only** by the Affordable Housing Trust Fund may be submitted at any time during the year to AHTF c/o MHFA, for consideration by the AHTF, based on the criteria contained in these Guidelines. Completed applications should be submitted to the AHTF at:

The Affordable Housing Trust Fund  
c/o Massachusetts Housing Finance Agency  
One Beacon Street  
Boston, MA 02108

2. **NEW APPLICATIONS FOR CONSIDERATION FOR AGENCY /AHTF FUNDING:**

New applicants who wish to be considered **both** by one of the Affordable Housing Agencies and by the AHTF shall submit an application **only** to the appropriate Affordable Housing Agency. **These applicants may not submit an application to the AHTF.**

**Applicants may NOT submit separate applications both to an Affordable Housing Agency and to the AHTF simultaneously.**

Completed One Stop Applications for new proposals that are requesting consideration by **both** an Affordable Housing Agency and the AHTF should be submitted directly to the Affordable Housing Agency and will be accepted for consideration and underwritten based on the criteria contained in the policies and procedures of the Affordable Housing Agency. The application may then be referred to the AHTF for consideration as described in Section 9 of these Guidelines.

- ***Existing Applications:***

Projects for which applications have been submitted for funding consideration to any of the Affordable Housing Agencies and are currently under consideration may be referred by the Affordable Housing Agency to the AHTF for consideration.

- ***To obtain application forms:***

All applicants submitting new proposals to either an Affordable Housing Agency or the AHTF must file a formal application using the “One Stop” application form. Applicants can obtain “One-Stop” application forms as follows:

- MHFA’s website [www.mhfa.com/dev/da\\_1stopmnp.html](http://www.mhfa.com/dev/da_1stopmnp.html)
- Telephone request to MHFA’s offices (617-854-1359)

## **Section 9 – Underwriting, Selection and Approval Process**

- ***Determinations by an Affordable Housing Agency:***

After submission of an application for consideration, an Affordable Housing Agency may make one of the following determinations:

- The Affordable Housing Agency may **commit to fund** the project in whole or in part.
- The Affordable Housing Agency may **commit to fund** the project **in whole or in part and refer** the application to the AHTF for consideration of funding the balance or for a specifically requested amount.
- The Affordable Housing Agency may **refer** the application to the AHTF for consideration of funding the entire amount **or**
- The Affordable Housing Agency may **decline either to fund or to refer** the project. The Affordable Housing Agency will inform the applicant as the basis for its decision. In this event the applicant may modify its application as appropriate and apply directly to the AHTF.

- ***Review by MHFA***

MHFA will review and/or underwrite applications which have been submitted either directly to the AHTF by the applicant or referred by an Affordable Housing Agency according to these Guidelines. Upon submission of an application for possible funding by the AHTF, MHFA will complete its review and underwriting within 45 days. Upon referral of an application from an Affordable Housing Agency that



includes a complete underwriting file, every effort will be made by MHFA to complete its review within 20 days of receipt.

- ***Recommendation by Selection Committee:***

The results and recommendations of the underwriting and review of all applications by MHFA shall be submitted to a Selection Committee comprised of representatives of MHFA and DHCD. The Selection Committee shall consider MHFA's recommendations and determine which projects the Selection Committee will recommend to the Director of DHCD for final funding approval. In making its determinations, the Selection Committee shall consider the geographic distribution of projects within the state.

- ***Approval by Director of DHCD:***

The Director of DHCD makes the final decision as to which projects will be selected for funding by the AHTF. Upon approval of the final selections, arrangements for processing and funding shall be initiated immediately.

## **Section 10 - Public Housing**

The \$5,000,000 of AHTF funds allocated for Public Housing under Section 6 of these Guidelines shall be transferred to DHCD by MHFA. The funds may be expended as grants for repair, rehabilitation and modernization of public housing owned by local or regional housing authorities, (created pursuant to Chapter 121B, s.3 of the General Laws, or by Special Act) and operating pursuant to a state-assisted housing program.

## **Section 11 – CEDAC**

Under Section 6 of these Guidelines, \$500,000 of AHTF funds is allocated to CEDAC to be used to provide pre-development assistance to non-profit organizations for projects that meet the preferences outlined in these Guidelines. In accordance with the Statute, CEDAC will provide this assistance under the terms of a contract entered into with MHFA and approved by DHCD.

## **Section 12– Preservation Activities**

In accordance with the Statute, projects for the preservation of existing affordable housing that have expiring use restrictions are eligible to receive financing. Applications proposing the preservation of existing affordable housing, as set forth in Section 3 of the Statute, will be reviewed according to “at risk” criteria to be developed by DHCD; and will be considered only when a project cannot be funded with other available funding sources for preservation projects.

### **Section 13 – Waivers**

In connection with the approval of selections for funding by the AHTF, the Director of the Department of Housing and Community Development may waive any provision of these Guidelines not required by the Statute, as follows:

- the project presents compelling or novel opportunities to alleviate the affordable housing crisis; and
- the grant of a waiver will produce a public benefit not otherwise available.